

# How the Ethanol Program Is Driving Up Food Prices

Have you ever noticed a sticker on the gasoline pump that says, “May Contain Up to 10% Ethanol?”

That’s a sign of a federal government mandate that is supposed to stretch fuel supplies but is also pushing up the cost of food – and driving some food producers out of business.

The federal ethanol mandate is destroying jobs, costing taxpayers billions of dollars, doing little or nothing to reduce our reliance on petroleum products, and pushing up the cost of food – for no good reason. Congress needs to revisit this subject immediately.

## **What is Ethanol?**

Ethanol is a form of alcohol. Up to a certain limit, it mixes with gasoline and works OK in most cars and trucks (although it reduces mileage because alcohol contains less energy than gasoline).

Federal law orders the fuel industry to add a certain amount of ethanol to motor fuel every year. In 2011, the amount is 12.6 billion gallons. In 2012, it will be 13.2 billion gallons.

In this country, ethanol is made almost entirely from corn. That’s a problem, because most of the corn grown in the U.S. was traditionally used to make feed for poultry and livestock – chickens, turkey, pigs, dairy cows, beef cattle – all the animals used for food for people. Even fish (the ones raised on farms) are fed corn.

Instead of being used to help produce food at an economical cost, corn products are being pumped into your gas tank. An astounding 40 percent of all the corn that is grown in the United States is going into ethanol.

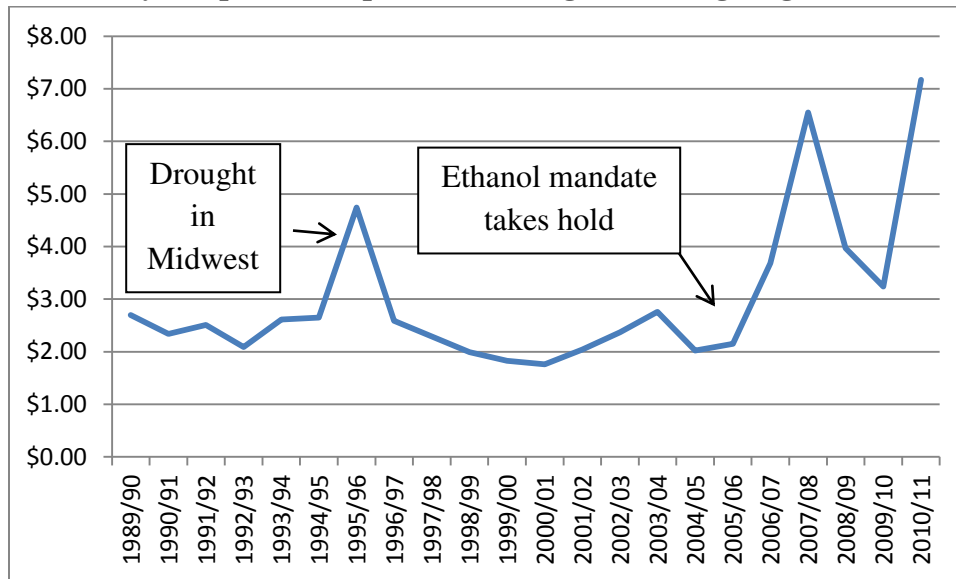
## **Impact of the Ethanol Mandate**

The people who produce food animals – farmers, ranchers, poultry companies, and others – are paying more and more for corn because of the voracious demand of the ethanol industry.

It isn't a fair competition because the ethanol producers have a market guaranteed by law: the fuel companies are required to buy ethanol whether they want it or not, or whether motorists want it or not. Food producers have to compete for what's left.

As a result, the price of corn has skyrocketed:

**Cash price in June for #2 yellow corn in Central Illinois,  
by Crop Year (September through following August):**



The price of corn used to make feed is actually the largest single part of the cost of raising chickens. This cost has been pushed way up by the ethanol program. Some of this higher cost has already been passed along in the price of chicken. Due to competitive reasons, chicken producers have not been able to pass on the full cost. As a result, many of them are losing money and some have been forced out of business. This will probably lead ultimately to tighter supplies of chicken and higher prices for consumers.

### **Impact on Jobs**

The ethanol industry claims that the federal ethanol mandate creates jobs. These claims are inflated. According to the Environmental Working Group, "independent analysts have found that the ethanol industry's job creation claims are 5-to-10 times too high, and that each job created costs taxpayers \$139,000-to-\$450,000 a year. Subsidizing corn ethanol is simply an inefficient way to create jobs."

Meanwhile, the high cost of corn – driven by the artificial demand from the ethanol mandate -- is destroying jobs in poultry processing because companies cannot cost of the feed (made from

corn) needed to raise the chickens. Recently, two processing plants in North Carolina were forced to close, putting upwards of a thousand workers out of a job and leaving hundreds of chicken farmers without birds to grow for those plants. These jobs and livelihoods were destroyed by the ethanol mandate.

## **Other Aspects of the Ethanol Problem**

The federal government's embrace of the ethanol industry is a controversial topic – for good reasons. Environmentalists think that ethanol is bad for the environment in many ways. Fiscal conservatives point out that the industry has benefitted from a federal tax subsidy (which is due to expire at the end of 2011 unless extended). While the industry claims that ethanol promotes “energy independence,” others point out that biofuels cannot possibly replace petroleum. Here are some of the good reasons the federal ethanol program should be modified if not eliminated:

### ***Do Consumers Want This Stuff?***

The industry claims that motorists would be glad to use higher blends of ethanol if they were more readily available. In fact, there is very little evidence of popular demand for E85.

- Ethanol has only two-thirds the energy content of gasoline. A vehicle fueled with E85 will get significantly less mileage than it does when fueled with gasoline, requiring the driver to fill up more often. E85 costs 85 percent as much as gasoline despite delivering only 75 percent as much mileage. So it is more expensive and less convenient than gasoline.
- More than 8 million flex-fuel vehicles are on the road today, according to the U.S. Department of Energy, but very few drivers fill up with E85. Demand is so slack that less than 3,000 of the nation's 140,000 service stations carry it, according to the web site [www.E85Prices.com](http://www.E85Prices.com).
- The ethanol industry's answer? More subsidies! The industry wants the government to pay for pipelines, storage tanks, blender pumps, and the other facilities the industry needs -- so it can make more money by selling ethanol.

Here's a thought: the industry has made many millions of dollars over the years by operating in a protected, subsidized, mandated industry. So let the industry pay for its own infrastructure. If ethanol really enjoys the popular support the industry claims, then venture capitalists will be happy to finance the infrastructure. No subsidies needed!

## ***Reducing Our Dependence on Foreign Oil . . . Or Increasing Our Dependence on Domestic Subsidies?***

The ethanol industry's favorite claim is that it is reducing the nation's dependence on foreign oil. But how much? And at what cost?

- According to a study published in the *Proceedings of the National Academy of Sciences*, if all the corn and soybeans produced in the United States were devoted to ethanol and other forms of fuel, leaving nothing for livestock and poultry feed, human food, sweeteners, beverages, etc., that would meet only 12 percent of the demand for gasoline and six percent of the demand for diesel fuel. When you subtract the amount of fossil fuel required to produce the ethanol, you are left with an energy gain of only two percent of the gasoline supply – an incredibly small gain from such a huge input. (“Environmental, economic, and energetic costs and benefits of biodiesel and ethanol biofuels,” by Hill et al., *Proceedings of the National Academy of Sciences*, 2006: 103; 11206-11210.)
- Consider also that while we import half of our petroleum, according to the Energy Information Agency, that means that half is still produced in the United States, so the actual contribution of ethanol to “energy independence” would be even less than two percent.
- The largest exporter of petroleum to the United States is not some Middle Eastern nation but our neighbor Canada. In fact over, half of our imports come from other nations in the Western Hemisphere.

Ethanol producers like to wrap themselves in the flag, but the fact remains that ethanol is at best a small supplement to motor gasoline. More domestic oil and gas development would make a far greater and more economical contribution to energy independence than ethanol ever can.

### ***Ethanol and the Environment***

“The environmental impacts of producing corn ethanol are enormous.”

David Pimentel, Cornell University

Ethanol is often touted as a “green” fuel. The fact is, experts say the artificial demand for ethanol is wreaking havoc on the environment. According to the Environmental Working Group:

- The Government Accountability Office (GAO) of Congress cited several researchers who found that when you factor in indirect land use changes, such as the clearing of forests for additional production because existing corn is being diverted to make fuel, ethanol results in more greenhouse gas emissions than gasoline.
- Wildlife habitat is being converted to grow corn. The National Wildlife Federation (NWF) reported that the corn ethanol “gold rush has” been responsible for plowing up thousands of acres of pristine wildlife habitat (and prime carbon sequestration vegetation) and converting it to corn production. “Our research shows that native grassland is being converted into cropland at an alarming rate throughout the Prairie Pothole Region... as a result, populations of sensitive wildlife species are declining significantly in areas with high increases in corn plantings,” according to NWF.
- Pollution flowing into the Gulf of Mexico has increased because of ethanol. Fertilizer run-off from cornfields flows down the Mississippi River, feeding the vast “dead zone” in the Gulf of Mexico where fish and shellfish cannot survive. This problem has been exacerbated as corn ethanol production increased.

### **In summary**

The federal ethanol mandate forces people to use a product they really don't want, does little or nothing to increase American energy independence, takes corn away from the traditional users, pushes up the cost of food, destroys jobs in the food production industry, and harms the environment. Congress needs to act now to cut this program down to size.